



AGENDA ITEM: 2
DATE OF MEETING: August 13, 2009
ACTION ITEM

APPROVAL OF HEALTH CARE FUNDS FOR ELIGIBLE CHILDREN 0 TO 5

SUMMARY OF REQUEST

In response to the current Healthy Families Program (HFP) budget deficit of more than \$190 million, First 5 California staff requests the First 5 California Children and Families Commission approve funding up to \$81.4 million to pay for health care premiums and related enrollment expenses for eligible children ages 0 through 5 in the Healthy Families Program from August 13, 2009, through June 30, 2010. The expenditure of these funds is contingent upon the California Children and Families Act (Act) not being revised or amended during the term of this authorization.

BACKGROUND

First 5 California

In 1998, voters passed and enacted the Act, which tasks First 5 California and the 58 County Commissions with promoting, supporting, and improving the early development of children from the prenatal stage to five years of age through the implementation of an integrated, comprehensive and collaborative system of information and services to enhance optimal early childhood development and to ensure that children are ready to enter school. It has been determined by First 5 California that health care coverage is an essential means by which to promote, support and improve the early development of children and, toward that end, for the past six years, First 5 California has provided leadership in helping uninsured children obtain affordable health insurance.

The Act contains a provision that is codified in California Revenue and Taxation Code Section 30131.4. This section provides that no moneys in the California Children and Families Trust Fund shall be used to supplant state or local General Fund money for any purpose, and that these funds shall be used only to supplement existing levels of service and not to fund existing levels of service. The Attorney General's Office has interpreted this statute to mean that no moneys from the California Children and Families Trust Fund shall be used to take the place of existing funding that currently exists for any purposes, but rather, moneys collected pursuant to the California Children and Families Act are to be used to add to existing levels of services that currently exist and to supplement those levels. In short, First 5 funds shall be used to augment, add to or enhance existing programs, funds, grants and/or services.

This proposal would provide funding only to expand the HFP beyond the current General Fund commitment or allocation. No state General Fund dollars would be saved, reallocated or repurposed as a result of any action taken by First 5 California to provide funding to supplement the existing level of service currently being provided by the HFP.

MRMIB

The HFP currently provides low-cost health, dental, and vision insurance coverage to children ages 0 to 18 from families with incomes up to 250% of the federal poverty level (FPL) who are otherwise ineligible for no-share of cost Medi-Cal. Eligibility for the program is reviewed on an annual basis. The MRMIB administers the HFP.

The HFP faces more than a \$190 million General Fund deficit for the 2009-10 fiscal year (July 1 – June 30). Further, because the HFP receives approximately two federal dollars for every one dollar of state funds, the projected reduction to the program for this fiscal year will be more than \$550 million. MRMIB estimates the cost for covering new enrollees ages 0 through 5 from August 13, 2009, through June 31, 2010, as follows:

| PROGRAM | NEW ENROLLEES ages 0 through 5 | PROJECTED COST (in millions) |
|---------------------------------------------------------------------------------------------------|-------------------------------------------|-----------------------------------------|
| Infants who would have otherwise been covered by the Access for Infants and Mothers Program (AIM) | 2,020 | \$2.26 |
| HFP – Premiums for children enrolled between 12/18/08 and 06/30/09 | 67,238 | \$34.23 |
| HFP – Premiums for children enrolled between 07/01/09 and 07/16/09 | 6,052 | \$3.04 |
| HFP – Premiums for children enrolled from 08/13/09 through 06/30/10 | 128,105 | \$39.97 |
| TOTAL | 203,415 | \$79.5 |

By statute, the MRMIB is prohibited from incurring a deficiency and is mandated to manage enrollment within the funds provided by the budget and/or outside contributors. The deficit has forced the MRMIB to implement a hard cap on new enrollments, which was effective on July 17, 2009. In addition, the MRMIB is scheduled to consider a plan to begin disenrolling children on their annual review date at its next meeting on August 13, 2009. (Attachment A, MRMIB Agenda)

At this time, all new enrollees are being placed on the waiting list through June 30, 2010, the end of the current fiscal year. Based on historical enrollment and current enrollment figures, MRMIB estimates that as many as 333,000 children during the 12 month period will be placed on the waiting list, which totals about 27,750 children per month. Approximately 25% of these proposed enrollees are children ages 0 to 5. It is important to note that these figures reflect only those children that are or will be wait-listed and does not take into account those children that may be disenrolled if MRMIB is unable to secure additional funding.

STAFF RECOMMENDATION

Staff recommends that the First 5 California Commission approve funding up to \$81.4 million from August 13, 2009, through June 30, 2010, for expansion of the HFP to include children ages 0 through 5 who would otherwise not be enrolled in the HFP due to implementation of a waiting list, or who would be disenrolled on their annual review date due to insufficient funding for the program. Staff further recommends that the First 5 California Commission make the expenditure of these funds contingent upon the California Children and Families Act (Act) not being revised or amended during the term of this authorization.

DISCUSSION

It is well settled that a child's overall health can make an important difference in how he or she will do in school. A child who is ill might miss class, struggle to keep up with peers and even experience learning difficulties. Children without health insurance often cannot get health care, except through emergency rooms, which they tend to frequent only when they are seriously ill. Further, more than any other time in their lives, infants and toddlers are growing at an amazing rate. They must receive adequate nutrition, vaccinations, and treatment for chronic and acute conditions. Likewise, their parents must receive critical information from health professionals regarding child safety, attachment and brain development. Research has shown improved health outcomes for children with a medical home.

As articulated by the National Education Goals Panel (NEGP) in its definition of School Readiness, elements of which were adopted by First 5 California for its School Readiness Program, essential elements of a child's readiness for school include access to health and social services. Access includes but is not limited to outreach services, such as health plan enrollment, and the provision of and/or referral to basic health care.

First 5 California has consistently supported the goal of making sure children ages 0 to 5 have the health insurance they need. First 5 California's Health Access for All Children Project, a partnership with First 5 County Commissions, is but one example of this commitment. First 5 California's commitment of \$20 million toward statewide health care coverage for all children and the State and County Commissions' prior commitment of \$16.75 million to the HFP are other meaningful examples.

By providing funding for expansion of the program, First 5 California will ensure that children ages 0 through 5 receive the coverage for which they are eligible and that California will not take a step backward in the depth of its health care coverage for children. Moreover, funding an expansion of the HFP will have the added benefits of:

- Leveraging \$2 in federal State Children's Health Insurance Program (SCHIP) funds for every First 5 California and First 5 County Commission dollar.
- Ensuring access to coverage for children at the time in their lives when regular access is most critical.

- Providing access to California Children's Services (CCS) coverage for severely ill children who would not otherwise become eligible for CCS.
- Sustaining the existing system of coverage upon which Healthy Kids programs are built.

Finally, funding an expansion of the program is consistent with First 5 California's 2008 Strategic Plan.

FISCAL HISTORY

Over the last six years, First 5 California has contributed substantial funding to ensure children ages 0 through 5 have access to health care, including the Health Access for All Children Project and prior expansion of the HFP.

PROPOSAL IMPLEMENTATION COSTS

In addition to the \$81.4 million allocation, First 5 California anticipates minor, absorbable administrative costs related to this item.

As set forth above, health care is an essential element of children's readiness for school. The funding allocations set forth below are consistent with prior funding commitments made by First 5 California to fund its School Readiness Program, as well as language from the Act which authorizes expenditures to ensure children are ready to enter school. Given First 5 California's other funding commitments and contractual obligations, including matching grant programs such as the School Readiness program, Power of Preschool, Health Access, Comprehensive Approaches to Raising Educational Standards (CARES), and the *Kit for New Parents*, to name a few, this contribution requires that First 5 California access all applicable and available funding to fulfill this commitment. Accordingly, staff recommends the following funding distribution:

| | |
|---------------------|----------------|
| Media Account: | \$30 million |
| Education Account: | \$10 million |
| Child Care Account: | \$20 million |
| Research Account: | \$21.4 million |

| | |
|---------------|-----------------------|
| TOTAL: | \$81.4 million |
|---------------|-----------------------|

ADVISORY COMMITTEE REVIEW

Not applicable.

ALTERNATIVES CONSIDERED

Description of Alternative 1

Not provide funding for an expansion of the HFP and instead increase enrollment of children ages 0 to 5 in the Health Access for All Children Project (CHIs).

Pros

1. Possibly save First 5 California funds for other programs, but this result is uncertain.

Cons

1. Would result in the loss to the State of \$2 in federal SCHIP funds for every First 5 California dollar not invested.
2. CHIs do not exist in every county. Currently, there are only 19 CHIs, which would still leave hundreds of children without health care coverage.
3. May not necessarily ensure that children who are severely ill receive California Children's Services (CCS) coverage. Children in the HFP are eligible for CCS even if their family's income is too high to qualify for the regular CCS program.

Description of Alternative 2

First 5 California could take no action and allow the MRMIB to continue the freeze on enrollment and wait-list all children ages 0 through 5, as well as disenroll children ages 0 through 5 at their annual review.

Pros

1. Save First 5 California funds for other uses.

Cons

1. More than 200,000 children ages 0 through 5 would be without health care coverage in this fiscal year.
2. Would result in the loss to the State of \$2 in federal SCHIP funds for every First 5 California dollar not invested.
3. Would not ensure that children who are severely ill receive California Children's Services (CCS) coverage. Children in the HFP are eligible for CCS even if their family's income is too high to qualify for the regular CCS program.

ATTACHMENTS

Attachment A - MRMIB Agenda for August 13, 2009
Attachment B – Letter dated August 6, 2009

FUNDING REQUEST FISCAL DETAIL

| | | | | | | |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------|---------------------------------------------|--------------------|-----------------------|------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------|
| Title of Request: | | Health Care Funds for Eligible Children 0-5 | | | <input checked="" type="checkbox"/> Contract <input type="checkbox"/> Program Disbursement <input type="checkbox"/> Special Disbursement | |
| Amount of Current Agreement: | | Up to | \$16,750,000 | Expenditures to Date: | \$16,750,000 | |
| Current Term of Agreement: | | 12/18/08 | Through | 9/30/09 | | |
| | | | Fiscal Year Detail | | | |
| | | | FY 09-10 | FY __-__ | FY __-__ | FY __-__ |
| New Amount Requested: | | Up to | \$81,400,000 | 81,400,000 | | |
| Percent of Available Fund Balance Affected by Agreement | | | 29% | | | |
| Proposed Funding Term: | | | Through | 6/30/2010 | | |
| First 5 California Account Number(s) and Fund Availability: | | 0631 | \$30,000,000 | | | <input checked="" type="checkbox"/> Yes By: ____ |
| | | 0634 | \$10,000,000 | | | |
| | | 0636 | \$20,000,000 | | | |
| | | 0637 | \$21,400,000 | | | |
| Funding available provided expenditure is incremental throughout the 2009/10 fiscal year. | | | | | | |
| Do our funds leverage others? | <input checked="" type="checkbox"/> Yes (explain) <input type="checkbox"/> No | Commission Funds | | Leveraged Funds | | Total Funds |
| | | \$81,400,000 | | \$162,800,000 | | \$244,200,000 |
| Explanation: Healthy Families program receives funding from the federal government at a 2:1 match. | | | | | | |
| Key Deliverable Descriptions | | | | | Deliverable Date | |
| Pay health care premiums and related enrollment expenses for eligible enrollees ages 0 through 5 to the Healthy Families Program. | | | | | Ongoing | |
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